

Administrative Office
521 E 63rd Street
Kansas City, Missouri 64110-3329
Telephone: [816] 756.3140
FAX: [816] 756.3144



Government Affairs Office
1600 Prince Street, Suite 100
Alexandria, Virginia 22314-2836
Telephone: [703] 519.7910
FAX: [703] 519.3865

National Rural Health Association
Written Testimony
by

Greg Dent
CEO, Community Health Works, Forsyth, GA

for the
Agriculture, Rural Development, Food and Drug Administration,
and Related Agencies Subcommittee of the
House Committee on Appropriations
RURAL SUMMIT
June 27, 2007

Chairwoman DeLauro, thank you for this opportunity to testify. I am Greg Dent, Chief Executive Officer at Community Health Works in Forsyth, Georgia and board member of the National Rural Health Association (NRHA). Thank you for this opportunity to speak on behalf of the NRHA at this important summit. I am please to tell you why health care in rural America is critical to both the community's citizens and the community's economy.

The NRHA is a national nonprofit, non partisan, membership organization with approximately 15,000 members that provides leadership on rural health issues. The Association's mission is to improve the health of rural Americans and to provide leadership on rural health issues through advocacy, communications, education and research. The NRHA membership consists of a diverse collection of individuals and organizations, all of whom share the common bond of an interest in rural health.

Health Care in Rural America is a Vital Component of the Economy

Health care is critical to the physical and mental well-being of the citizens of a community. In rural American, health care is also critical to the economic well-being of the community.

As factories and plants across the nation close due to outsourcing, many parts of rural America's economy are in flux. A vital health care system is often one of the few bright spots in the local economy. Health care services provide skilled employment, abundant ancillary employment, and help retain young families and the elderly (who rely on quality health care) in the community.

According to Health Resources and Services Administration (HRSA), if local health care should disappear, as much as 20 percent of a local economy could go with it. In many rural communities, the health sector is one of the largest employers, and growing. For example, by the late 1990's, health care's share of industry earnings had doubled to 12.3 percent in rural Kentucky. These statistics indicate that health care is the second largest industry category in rural Kentucky, trailing only local government.

My home state of Georgia is similar to the rest of America. Economic impact studies in rural Georgia have shown that most rural health care providers offer employment to the local population, purchase goods and services from the surrounding community and have a large impact on their local economies. In 1998, rural hospitals contributed \$5.5 billion to their local economies through a variety of services including indigent care, charity care and non-reimbursed care.

My experience echoes this. My educational background is in business and I began my career as an accountant. I served as a financial consultant and even started my own investment and management-consulting firm. In 1999, while serving on the Crawford County Board of Commissioners, I was asked to join the board of the Community Health Works, a not for profit organization that focuses on the uninsured in seven county region in central Georgia. I fell in love with the vision and mission of Community Health Works, and in 2003, I took a more active role. I started as Chief Financial Officer and in June 2004, I took the helm of the organization when the inaugural CEO resigned. From my background, I understand how important health care is to the general economy of both my community and the state.

Health Care's Influence on Other Sectors of the Rural Economy

The ancillary economic impact of health care in rural America is significant. A typical rural hospital may employ 15 to 20 percent of the local workforce and possess a multimillion dollar payroll. Much of the money paid to health sector employees is then spent in the community, which generates additional local jobs and revenue.

However, health care's role as a basic or export industry is only part of its influence on a community's economy. Health care employers and employees are important purchasers of goods and services supporting many local business establishments. The occupations and employees who in work in health care, such as hospital and nursing home workers, physicians, dentists and pharmacists, are an important source of income in the community, supporting services such as housing and construction, retail establishments, restaurants and other local services. The hospitals and other health care institutions are also important purchasers of local inputs such as laundry services, waste management and other resources.

An often-overlooked aspect of the health care system in economic development is the ability to attract and recruit firms based on community services. Company surveys reveal that managers often look at the availability of health care as an important issue in locating facilities. The existence of a strong health care network can lower health care costs for firms and their employees and provide value-added services for firms such as occupational health. Also, retirees and workers will be more likely to choose a location that has access to quality health care.

Rural leaders across the nation are becoming increasingly aware that the presence of quality health care is a vital component of numerous economic development strategies. From a survey of community leaders, almost 90% indicated that health care is important to the local economy. Manufacturers and high tech industries are unlikely to locate in an area that does not have adequate access to health care. Health care is also a key factor in attracting and retaining retirees.

Rural Health Care Dependent on External Funding

Why is there significant growth in the health care sector in rural America? In large part, it's because retirement-based personal income is the fastest source of income growth in many rural areas. In 1990, retirement-based income represented 4.1% of personal income, while in 1999 that share had risen to 6.2%. Non-wage income is growing at twice the rate of job and wage based income. Because of the demand that aging population will place on local health care, rural health services will play an increasingly important role in the rural economy.

Despite this growth and continued demand for growth, these demographic changes pose tough challenges to rural communities. Rural health care systems are often facing budgetary restraints. Some rural hospitals are closing. In other cases, health care services are being cut. Recruitment and retention of physicians and other providers is often extremely difficult. Access to capital for facility improvements can be extremely limited. And, the major source of income - Medicare and Medicaid reimbursement payments - is external from the community, often does not keep up with the cost of care, and in addition is continually threatened by cuts.

Recommendations: Federal Investment and Partnership Vital to Rural Health and Economic Development

A. Grants and Loans for Capital Improvements

In order to drive this economic development and create healthy communities, high quality care is needed. While facilities are not essential to this effort, studies have shown that improved facilities can have a direct impact on the care provided and the retention of a skilled health care workforce. Unfortunately in rural areas, distances, the lack of access to capital, lack of insurance and low reimbursements all are factors that can negatively impact the effect of traditional capital improvements to health care. Often rural hospitals continue to occupy obsolete and deteriorating buildings, many built in the 1950s, making retention and recruitment of staff difficult. This does not have to continue.

According to a 2005 Rural Hospital Replacement Study conducted by Stroudwater Associates and Red Capital Group, investment in rural facilities:

- Helps physicians and staff recruitment and retention;
- Reduces facility expenses (due to improved efficiencies);

- Improves patient safety;
- Improves quality of care and continuity of care; and
- Increases patients use and utilization.

Such critical funding and federal partnerships must not only continue, but also must expand.

One vehicle for this expansion of capital investment is through the Farm Bill. The Farm Bill, which generates about \$100 billion in federal spending each year, is up for five year reauthorization in 2007 and will be the primary source of federal legislation guiding the agriculture and rural development efforts over the period 2007 – 2012. In essence, because the United States has no explicit rural policy, the Farm Bill serves as a de facto, yet crucial, rural policy.

Rural Development Programs in the Farm Bill are highly utilized in many states. They provide some amount of grant funding for hospital and clinic construction, and leverage much more through loan guarantees and interest rate subsidies. They help fund construction of a range of related facilities, including wellness centers, emergency medical services (EMS), and long-term care centers.

The NRHA strongly supports language in the Farm Bill that would provide for grants and loans to facilities for such capital improvement. The evidence strongly suggests that such investments are prudent, cost-effective and beneficial to the community as a whole.

B. Grants for Information Technology

Another critical component of both improving health care quality and economic development in general is the support of rural information technology (IT). Development funds through the Farm Bill and other programs have been used to establish telemedicine and support broadband construction for rural communities. Such funding must continue and expand because efficiency in health care in rural America is dependent upon appropriate IT.

A 2003 survey of rural providers in California determined that almost 58 percent of California's health care organizations surveyed in rural areas indicated their organizations relied heavily on the use of IT.

The California survey results found that efficient use of information technology removes barriers by assisting rural health organizations to provide services where there is great distance between patients, physicians, and facilities, and where there is a scarcity of health workers and access to specialty care. Remote and interactive technology solutions are integral to providing access to quality health care in rural communities. Rural health care organizations can use technology to increase access to care, provide remote diagnostic services, and provide education and training for health care workers who otherwise have limited access to professional colleagues and continuing education.

Beyond administrative efficiencies such as scheduling and billing, email with providers, and general Web site access, rural health care organizations use technology in a variety of ways. More than 57 percent of hospitals said that they were using digital imaging and, more surprisingly, 37 percent of health clinics and 33 percent of hospitals said they were using video teleconferencing applications for patient consultation, according to the report.

The survey found that inadequate funding for infrastructure investments and for ongoing operations were the two major factors preventing health care organizations from taking greater advantage of IT solutions. In addition, priorities for future investment in new infrastructure and applications were consistent among all groups surveyed.

Similar studies, have agreed with this conclusion. They also have shown how investment in health IT can drive the expansion of telecommunication technologies to rural communities. Other rural businesses have similar investment and infrastructure issues. Successful projects driven by health providers such as hospitals, community health centers, or training facilities have demonstrated how the entire community can benefit when it is “wired.” We strongly recommend to this Congress to expand efforts in the Farm Bill to drive economic development by investing in health IT in our rural communities.

C. Health Insurance Coverage in Rural America

While health insurance is outside the scope of this committee and this summit, I would be remiss to not mention this important issue and help highlight how difficult and complex rural economic development can be. On this issue, rural America lags behind its urban counterparts and has disproportionately higher rates of the uninsured and underinsured. This is true of both adults and children.

As already highlighted, a healthy workforce is vital to having a vibrant economy. Without insurance coverage of the local populace, most people cannot afford routine health checkups and must rely on more expensive emergency and indigent care. This is both more costly for the community and leads to poorer health outcomes. In addition, health insurance coverage can help provide the monies necessary to keep health providers in rural communities driving further economic development.

For the future of our rural communities, we cannot continue to see increasing rates of uninsured adults and children. Nationwide, the trend has been decreasing employer sponsored health coverage. This trend has been more acute in our rural communities that tend to have smaller-sized businesses and more small business owners that cannot afford to insure their own family. We must find ways to provide insurance coverage.

Already, rural citizens disproportionately rely more on Medicare, Medicaid and the State’s Children Health Insurance Program (SCHIP) than their urban counterparts. However, in providing this coverage, we must be cognizant that health insurance does not equal health care. Federal insurance programs such as the ones mentioned have a responsibility to make sure that our rural citizens can access care in their own communities and that the care they receive is of high quality. Without it, rural America may lack a productive workforce in the future.

Congress has the opportunity this year to deal with this issue in a meaningful way. The SCHIP is slated for a five year reauthorization. This program has been a significant source of health coverage for rural children. During the reauthorization of SCHIP, the NRHA asks that Congress significantly improve health insurance coverage for children in rural communities by expanding the program and finding ways to increase rural outreach. For those that care about the future of rural America, the reauthorization and expansion of SCHIP is of the utmost importance.

Conclusion

Health care is a vital segment of the rural economy. Quality health care in rural America not only provides for the health of the community, but creates jobs, infuses capital into the local economy, attracts businesses and encourages families and seniors to maintain residency within the community. Federal, state, and local partnerships must be formed to protect this critical yet fragile component of the local economy. Grants and loans must be accessible for both capital improvements and IT infrastructure and development. Insurance programs such as SCHIP, Medicare and Medicaid must take into account their responsibility in providing health insurance for rural beneficiaries and in making sure those same people can access their care in their community. And finally, the Farm Bill, which is the single largest federal policy on rural America, must establish these policies that helps rural health care flourish - - for both the sake of the health of rural Americans and for the economy of rural America.